
SENATE BILL No. 389

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-45; IC 6-3.5-7

Synopsis: County option farmstead credit. Provides a county option farmstead credit against a taxpayer's property tax liability attributable to a farmstead to offset the effect of a deduction for inventory. Provides that the credit is funded by county economic development income tax revenue.

Effective: Upon passage; January 1, 2006.

Weatherwax

January 11, 2005, read first time and referred to Committee on Tax and Fiscal Policy.

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Introduced

First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

SENATE BILL No. 389

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-45 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]:

4 **Chapter 45. Farmstead Credit**

5 **Sec. 1. This chapter applies to a county that adopts an ordinance**
6 **under IC 6-3.5-7-25 or IC 6-3.5-7-26.**

7 **Sec. 2. As used in this chapter, "county deliberative body"**
8 **means:**

9 (1) the county income tax council if the county option income
10 tax is in effect on January 1 of the year in which an ordinance
11 under section 6 of this chapter is adopted;

12 (2) the county fiscal body if the county adjusted gross income
13 tax is in effect on January 1 of the year in which an ordinance
14 under section 6 of this chapter is adopted; or

15 (3) the county income tax council or the county fiscal body,
16 whichever acts first, for a county not covered by subdivision
17 (1) or (2).



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1 Sec. 3. As used in this chapter, "county income tax council"
2 means a council established by IC 6-3.5-6-2.

3 Sec. 4. As used in this chapter, "farmstead" means tangible real
4 property devoted to agricultural use and assessed accordingly
5 under IC 6-1.1-4.

6 Sec. 5. As used in this chapter, "fiscal body" has the meaning set
7 forth in IC 36-1-2-6.

8 Sec. 6. (a) A county deliberative body may adopt an ordinance
9 to provide a credit against the property taxes attributable to
10 farmsteads located in the county.

11 (b) If a county income tax council acts as the county deliberative
12 body, the county income tax council shall use the procedures set
13 forth in IC 6-3.5-6 concerning the imposition of the county option
14 income tax to adopt an ordinance under this section.

15 (c) An ordinance adopted under this section applies to property
16 taxes first due and payable in each year after the year of adoption.

17 (d) The county deliberative body shall provide a certified copy
18 of the ordinance to the department of local government finance not
19 later than thirty (30) days after its adoption.

20 Sec. 7. (a) A taxpayer is entitled each calendar year to a credit
21 against the property taxes on a farmstead first due and payable in
22 the year if:

23 (1) the farmstead is located within the adopting county;

24 (2) on January 1, an ordinance adopted under section 6 of this
25 chapter applies for that calendar year to the county in which
26 the farmstead is located; and

27 (3) on March 1, the taxpayer owns or is buying the farmstead
28 under a contract, recorded in the recorder's office, that
29 provides the taxpayer is to pay property taxes on the
30 farmstead.

31 (b) The amount of the credit to which the taxpayer is entitled
32 equals the result determined in STEP THREE of the following
33 formula:

34 STEP ONE: Determine the amount of the taxpayer's tax
35 liability (as defined in IC 6-1.1-21-5) that is:

36 (A) attributable to a farmstead during the calendar year;
37 and

38 (B) determined after the application of the property tax
39 replacement credit under IC 6-1.1-21.

40 STEP TWO: Determine the applicable credit percentage
41 under subsection (c).

42 STEP THREE: Multiply the STEP ONE result by the STEP

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TWO result.

(c) The county auditor determines the credit percentage referred to in subsection (b) STEP TWO under IC 6-3.5-7-25 or IC 6-3.5-7-26, whichever is applicable. If an adopting entity elects to provide a uniform farmstead credit percentage throughout the county, the county auditor determines the uniform percentage under IC 6-3.5-7-25(k) or IC 6-3.5-7-26(j). If an adopting entity elects to allocate farmstead credits by taxing district, the county auditor determines the farmstead credit percentage for each taxing district in the county under IC 6-3.5-7-25(m) or IC 6-3.5-7-26(l).

(d) A taxpayer is not required to file an application to qualify for the credit allowed by subsection (a).

Sec. 8. (a) Before October 1 of each year, each township assessor in an adopting county shall furnish to the county auditor the amount of the assessed valuation of each farmstead located in their respective townships.

(b) Before November 1 of each year before the year in which the credit is allowed, the auditor of each county shall certify to the department of local government finance the amount of the assessed valuation that qualifies for the farmstead credit. Before February 1 of each year, the auditor of each county shall certify to the department of local government finance the amount of farmstead credits allowed in that county for that calendar year.

(c) The county auditor shall apply the credit equally to each installment of taxes that the taxpayer pays for the property.

SECTION 2. IC 6-3.5-7-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) Except as provided in subsection (c), the county economic development income tax may be imposed on the adjusted gross income of county taxpayers. The entity that may impose the tax is:

- (1) the county income tax council (as defined in IC 6-3.5-6-1) if the county option income tax is in effect on January 1 of the year the county economic development income tax is imposed;
- (2) the county council if the county adjusted gross income tax is in effect on January 1 of the year the county economic development tax is imposed; or
- (3) the county income tax council or the county council, whichever acts first, for a county not covered by subdivision (1) or (2).

To impose the county economic development income tax, a county income tax council shall use the procedures set forth in IC 6-3.5-6 concerning the imposition of the county option income tax.

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(b) Except as provided in subsections (c), (g), (k), (p), and (r) the county economic development income tax may be imposed at a rate of:

- (1) one-tenth percent (0.1%);
- (2) two-tenths percent (0.2%);
- (3) twenty-five hundredths percent (0.25%);
- (4) three-tenths percent (0.3%);
- (5) thirty-five hundredths percent (0.35%);
- (6) four-tenths percent (0.4%);
- (7) forty-five hundredths percent (0.45%); or
- (8) five-tenths percent (0.5%);

on the adjusted gross income of county taxpayers.

(c) Except as provided in subsection (h), (i), (j), (k), (l), (m), (n), (o), or (p), the county economic development income tax rate plus the county adjusted gross income tax rate, if any, that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%). Except as provided in subsection (g) or (p), the county economic development tax rate plus the county option income tax rate, if any, that are in effect on January 1 of a year may not exceed one percent (1%).

(d) To impose, increase, decrease, or rescind the county economic development income tax, the appropriate body must, after January 1 but before April 1 of a year, adopt an ordinance. The ordinance to impose the tax must substantially state the following:

"The _____ County _____ imposes the county economic development income tax on the county taxpayers of _____ County. The county economic development income tax is imposed at a rate of _____ percent (____%) on the county taxpayers of the county. This tax takes effect July 1 of this year."

(e) Any ordinance adopted under this chapter takes effect July 1 of the year the ordinance is adopted.

(f) The auditor of a county shall record all votes taken on ordinances presented for a vote under the authority of this chapter and shall, not more than ten (10) days after the vote, send a certified copy of the results to the commissioner of the department by certified mail.

(g) This subsection applies to a county having a population of more than one hundred forty-eight thousand (148,000) but less than one hundred seventy thousand (170,000). Except as provided in subsection (p), in addition to the rates permitted by subsection (b), the:

(1) county economic development income tax may be imposed at a rate of:

- (A) fifteen-hundredths percent (0.15%);
- (B) two-tenths percent (0.2%); or

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(C) twenty-five hundredths percent (0.25%); and
 (2) county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%); if the county income tax council makes a determination to impose rates under this subsection and section 22 of this chapter.

(h) For a county having a population of more than forty-one thousand (41,000) but less than forty-three thousand (43,000), except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and thirty-five hundredths percent (1.35%) if the county has imposed the county adjusted gross income tax at a rate of one and one-tenth percent (1.1%) under IC 6-3.5-1.1-2.5.

(i) For a county having a population of more than thirteen thousand five hundred (13,500) but less than fourteen thousand (14,000), except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and fifty-five hundredths percent (1.55%).

(j) For a county having a population of more than seventy-one thousand (71,000) but less than seventy-one thousand four hundred (71,400), except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(k) This subsection applies to a county having a population of more than twenty-seven thousand four hundred (27,400) but less than twenty-seven thousand five hundred (27,500). Except as provided in subsection (p), in addition to the rates permitted under subsection (b):

(1) the county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and

(2) the sum of the county economic development income tax rate and the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%);

if the county council makes a determination to impose rates under this subsection and section 22.5 of this chapter.

(l) For a county having a population of more than twenty-nine thousand (29,000) but less than thirty thousand (30,000), except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect

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on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(m) For:

(1) a county having a population of more than one hundred eighty-two thousand seven hundred ninety (182,790) but less than two hundred thousand (200,000); or

(2) a county having a population of more than forty-five thousand (45,000) but less than forty-five thousand nine hundred (45,900); except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(n) For a county having a population of more than six thousand (6,000) but less than eight thousand (8,000), except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

(o) This subsection applies to a county having a population of more than thirty-nine thousand (39,000) but less than thirty-nine thousand six hundred (39,600). Except as provided in subsection (p), in addition to the rates permitted under subsection (b):

(1) the county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and

(2) the sum of the county economic development income tax rate and:

(A) the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%); or

(B) the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%);

if the county council makes a determination to impose rates under this subsection and section 24 of this chapter.

(p) In addition:

(1) the county economic development income tax may be imposed at a rate that exceeds by not more than twenty-five hundredths percent (0.25%) the maximum rate that would otherwise apply under this section; and

(2) the:

(A) county economic development income tax; and

(B) county option income tax or county adjusted gross income tax;

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may be imposed at combined rates that exceed by not more than twenty-five hundredths percent (0.25%) the maximum combined rates that would otherwise apply under this section.

However, the additional rate imposed under this subsection may not exceed the amount necessary to mitigate the increased ad valorem property taxes on homesteads (as defined in IC 6-1.1-20.9-1) **and farmsteads (as defined in IC 6-1.1-45-4)** resulting from the deduction of the assessed value of inventory in the county under IC 6-1.1-12-41 or IC 6-1.1-12-42.

(q) If the county economic development income tax is imposed as authorized under subsection (p) at a rate that exceeds the maximum rate that would otherwise apply under this section, the certified distribution must be used for the purpose provided in section 25(e) or 26 of this chapter to the extent that the certified distribution results from the difference between:

- (1) the actual county economic development tax rate; and
- (2) the maximum rate that would otherwise apply under this section.

(r) This subsection applies only to a county described in section 27 of this chapter. Except as provided in subsection (p), in addition to the rates permitted by subsection (b), the:

- (1) county economic development income tax may be imposed at a rate of twenty-five hundredths percent (0.25%); and
 - (2) county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%);
- if the county council makes a determination to impose rates under this subsection and section 27 of this chapter.

(s) Except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%) if the county has imposed the county adjusted gross income tax under IC 6-3.5-1.1-3.3.

SECTION 3. IC 6-3.5-7-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 25. (a) This section applies only to a county that has adopted an ordinance under IC 6-1.1-12-41(f).

(b) ~~For purposes of this~~ **The following definitions apply throughout this** section:

- (1) **"Farmstead" has the meaning set forth in IC 6-1.1-45-4.**
- (2) **"Imposing entity" means the entity that adopted the ordinance under IC 6-1.1-12-41(f).**

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(c) The imposing entity may adopt an ordinance to provide for the use of the certified distribution described in section 16(c) of this chapter for the purpose provided in subsection (e). A county income tax council that adopts an ordinance under this subsection shall use the procedures set forth in IC 6-3.5-6 concerning the adoption of an ordinance for the imposition of the county option income tax. Except as provided in subsection (j), an ordinance must be adopted under this subsection after January 1 but before April 1 of a calendar year. The ordinance may provide for an additional rate under section 5(p) of this chapter. An ordinance adopted under this subsection:

(1) first applies to the certified distribution described in section 16(c) of this chapter made in the calendar year that immediately succeeds the calendar year in which the ordinance is adopted;

(2) must specify the calendar years to which the ordinance applies; ~~and~~

(3) must specify that the certified distribution must be used **first** to provide for:

(A) uniformly applied increased homestead credits as provided in subsection (f); or

(B) allocated increased homestead credits as provided in subsection (h); **and**

(4) must specify that for any year in which an ordinance under IC 6-1.1-45-6 applies to the county that the part, if any, of the certified distribution remaining after the use described in subdivision (3) must be used to provide for:

(A) uniformly applied farmstead credits as provided in subsection (k); or

(B) allocated farmstead credits as provided in subsection (m).

An ordinance adopted under this subsection may be combined with an ordinance adopted under section 26 of this chapter.

(d) If an ordinance is adopted under subsection (c), the percentage of the certified distribution specified in the ordinance for use for the purpose provided in subsection (e) shall be:

(1) retained by the county auditor under subsection (g); and

(2) used for the purpose provided in subsection (e) instead of the purposes specified in the capital improvement plans adopted under section 15 of this chapter.

(e) If an ordinance is adopted under subsection (c), the imposing entity shall use the certified distribution described in section 16(c) of this chapter ~~to increase the homestead credit allowed in the county under IC 6-1.1-20-9 for a year~~ to offset the effect on homesteads **and**

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1 **farmsteads** in the county resulting from a county deduction for
 2 inventory under IC 6-1.1-12-41. **In order to offset the effect of the**
 3 **county deduction for inventory on homesteads, the imposing entity**
 4 **shall first use the certified distribution to increase the homestead**
 5 **credit allowed in the county under IC 6-1.1-20.9. If an ordinance**
 6 **adopted under IC 6-1.1-45-6 applies to the county for the year, in**
 7 **order to offset the effect of the county deduction for inventory on**
 8 **farmsteads, the imposing entity shall use the remainder of the**
 9 **certified distribution to provide the farmstead credit allowed under**
 10 **IC 6-1.1-45.**

11 (f) If the imposing entity specifies the application of uniform
 12 increased homestead credits under subsection (c)(3)(A), the county
 13 auditor shall, for each calendar year in which an increased homestead
 14 credit percentage is authorized under this section, determine **each of**
 15 **the following:**

16 (1) The amount of the certified distribution that is available to
 17 provide an increased homestead credit percentage for the year.

18 **(2) The amount of increased property tax liability on**
 19 **homesteads in the county for the year due to the county**
 20 **deduction for inventory under IC 6-1.1-12-41.**

21 ~~(2)~~ (3) The amount of uniformly applied homestead credits for the
 22 year in the county, ~~that equals~~ **which is the lesser of:**

23 **(A) the amount determined under subdivision (1); and or**

24 **(B) the amount determined under subdivision (2).**

25 ~~(3)~~ (4) The increased percentage of homestead credit that equates
 26 to the amount of homestead credits determined under subdivision
 27 ~~(2)~~ (3).

28 (g) The increased percentage of homestead credit determined by the
 29 county auditor under subsection (f) applies uniformly in the county in
 30 the calendar year for which the increased percentage is determined.

31 (h) If the imposing entity specifies the application of allocated
 32 increased homestead credits under subsection (c)(3)(B), the county
 33 auditor shall, for each calendar year in which an increased homestead
 34 credit is authorized under this section, determine **each of the following**
 35 **quantities:**

36 (1) The amount of the certified distribution that is available to
 37 provide an increased homestead credit for the year. ~~and~~

38 **(2) The amount of increased property tax liability on**
 39 **homesteads in the county for the year due to the county**
 40 **deduction for inventory under IC 6-1.1-12-41.**

41 **(3) The amount of the allocated increased homestead credits**
 42 **in the county for the year, which is the lesser of:**

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(A) the amount determined under subdivision (1); or

(B) the amount determined under subdivision (2).

~~(2)~~ **(4)** An increased percentage of homestead credit for each taxing district in the county that allocates to the taxing district an amount of increased homestead credits that bears the same proportion to the amount determined under subdivision ~~(1)~~ **(3)** that the amount of inventory assessed value deducted under IC 6-1.1-12-41 in the taxing district for the immediately preceding year's assessment date bears to the total inventory assessed value deducted under IC 6-1.1-12-41 in the county for the immediately preceding year's assessment date.

(i) The county auditor shall retain from the payments of the county's certified distribution an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county. The money shall be distributed to the civil taxing units and school corporations of the county:

(1) as if the money were from property tax collections; and

(2) in such a manner that no civil taxing unit or school corporation will suffer a net revenue loss because of the allowance of an increased homestead credit.

(j) An entity authorized to adopt:

(1) an ordinance under subsection (c); and

(2) an ordinance under IC 6-1.1-12-41(f);

may consolidate the two (2) ordinances. The limitation under subsection (c) that an ordinance must be adopted after January 1 of a calendar year does not apply if a consolidated ordinance is adopted under this subsection.

(k) If the imposing entity specifies the application of uniform farmstead credits under subsection (c)(4)(A), the county auditor shall, for each calendar year in which a farmstead credit is authorized under this section, determine each of the following:

(1) The amount of the certified distribution that is available to provide a farmstead credit for the year.

(2) The amount of increased property tax liability on farmsteads in the county for the year due to the county deduction for inventory under IC 6-1.1-12-41.

(3) The amount of uniformly applied farmstead credits for the year in the county, which is the lesser of:

(A) the amount determined in subdivision (1); or

(B) the amount determined in subdivision (2).

(4) The farmstead credit percentage that generates the amount of farmstead credits determined under subdivision

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1 (3).

2 (l) The percentage of the farmstead credit determined by the
3 county auditor under subsection (k) applies uniformly in the
4 county in the calendar year for which the percentage is
5 determined.

6 (m) If the imposing entity specifies the application of allocated
7 farmstead credits under subsection (c)(4)(B), the county auditor
8 shall, for each calendar year in which a farmstead credit is
9 authorized under this section, determine each of the following:

10 (1) The amount of the certified distribution that is available
11 to provide a farmstead credit for the year.

12 (2) The amount of increased property tax liability on
13 farmsteads in the county for the year due to the county
14 deduction for inventory under IC 6-1.1-12-41.

15 (3) The amount of the allocated farmstead credits in the
16 county for the year, which is the lesser of:

17 (A) the amount determined in subdivision (1); or

18 (B) the amount determined in subdivision (2).

19 (4) A farmstead credit percentage for each taxing district in
20 the county that allocates to the taxing district an amount of
21 farmstead credits that bears the same proportion to the
22 amount determined under subdivision (3) that the amount of
23 inventory assessed value deducted under IC 6-1.1-12-41 in the
24 taxing district for the immediately preceding year's
25 assessment date bears to the total inventory assessed value
26 deducted under IC 6-1.1-12-41 in the county for the
27 immediately preceding year's assessment date.

28 (n) The county auditor shall retain from the payments of the
29 county's certified distribution an amount equal to the revenue lost,
30 if any, due to providing the farmstead credit within the county. The
31 money shall be distributed to the civil taxing units and school
32 corporations of the county:

33 (1) as if the money were from property tax collections; and

34 (2) in such a manner that no civil taxing unit or school
35 corporation will suffer a net revenue loss because of the
36 allowance of a farmstead credit.

37 (o) An ordinance may not be adopted under this chapter after
38 July 31, 2005.

39 SECTION 4. IC 6-3.5-7-26 IS AMENDED TO READ AS
40 FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 26. (a) This
41 section applies only to homestead credits for property taxes first due
42 and payable after calendar year 2006.

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(b) ~~For purposes of this~~ **The following definitions apply throughout this section:**

(1) "Adopting entity" means:

~~(1) (A)~~ **(A)** the entity that adopts an ordinance under IC 6-1.1-12-41(f); or

~~(2) (B)~~ **(B)** any other entity that may impose a county economic development income tax under section 5 of this chapter.

(2) "Farmstead" has the meaning set forth in IC 6-1.1-45-4.

(c) An adopting entity may adopt an ordinance to provide for the use of the certified distribution described in section 16(c) of this chapter for the purpose provided in subsection (e). An adopting entity that adopts an ordinance under this subsection shall use the procedures set forth in IC 6-3.5-6 concerning the adoption of an ordinance for the imposition of the county option income tax. An ordinance must be adopted under this subsection after January 1 but before April 1 of a calendar year. The ordinance may provide for an additional rate under section 5(p) of this chapter. An ordinance adopted under this subsection:

(1) first applies to the certified distribution described in section 16(c) of this chapter made in the later of the calendar year that immediately succeeds the calendar year in which the ordinance is adopted or calendar year 2007; ~~and~~

(2) must specify that the certified distribution must be used **first** to provide for:

(A) uniformly applied increased homestead credits as provided in subsection (f); or

(B) allocated increased homestead credits as provided in subsection (h); **and**

(3) must specify that for any year in which an ordinance under IC 6-1.1-45-6 applies to the county the part of the certified distribution remaining after the use described in subdivision (2) must be used to provide for:

(A) uniformly applied farmstead credits as provided in subsection (j); or

(B) allocated farmstead credits as provided in subsection (l).

An ordinance adopted under this subsection may be combined with an ordinance adopted under section 25 of this chapter.

(d) If an ordinance is adopted under subsection (c), the percentage of the certified distribution specified in the ordinance for use for the purpose provided in subsection (e) shall be:

(1) retained by the county auditor under subsection (g); and

(2) used for the purpose provided in subsection (e) instead of the

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purposes specified in the capital improvement plans adopted under section 15 of this chapter.

(e) If an ordinance is adopted under subsection (c), the adopting entity shall use the certified distribution described in section 16(c) of this chapter ~~to increase the homestead credit allowed in the county under IC 6-1.1-20.9 for a year~~ to offset the effect on homesteads **and farmsteads** in the county resulting from the statewide deduction for inventory under IC 6-1.1-12-42. **In order to offset the effect of the deduction for inventory on homesteads, the adopting entity shall first use the certified distribution to increase the homestead credit allowed in the county under IC 6-1.1-20.9. If an ordinance adopted under IC 6-1.1-45-6 applies to the county for the year, in order to offset the effect of the statewide deduction for inventory on farmsteads, the adopting entity shall use the remainder of the certified distribution to provide the farmstead credit allowed under IC 6-1.1-45.**

(f) If the imposing entity specifies the application of uniform increased homestead credits under subsection (c)(2)(A), the county auditor shall, for each calendar year in which an increased homestead credit percentage is authorized under this section, determine **each of the following:**

(1) The amount of the certified distribution that is available to provide an increased homestead credit percentage for the year.

(2) The amount of increased property tax liability on homesteads in the county for the year due to the deduction for inventory under IC 6-1.1-12-42.

~~(2)~~ **(3)** The amount of uniformly applied homestead credits for the year in the county, ~~that equals~~ **which is the lesser of:**

(A) the amount determined under subdivision (1); and

(B) the amount determined under subdivision (2).

~~(3)~~ **(4)** The increased percentage of homestead credit that equates to the amount of homestead credits determined under subdivision ~~(2):~~ **(3).**

(g) The increased percentage of homestead credit determined by the county auditor under subsection (f) applies uniformly in the county in the calendar year for which the increased percentage is determined.

(h) If the imposing entity specifies the application of allocated increased homestead credits under subsection (c)(2)(B), the county auditor shall, for each calendar year in which an increased homestead credit is authorized under this section, determine:

(1) The amount of the certified distribution that is available to provide an increased homestead credit for the year. ~~and~~

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(2) The amount of increased property tax liability on homesteads in the county for the year due to the deduction for inventory under IC 6-1.1-12-42.

(3) The amount of the allocated increased homestead credits in the county for the year, which is the lesser of:

(A) the amount determined under subdivision (1); or

(B) the amount determined under subdivision (2).

~~(2)~~ **(4) An increased percentage of homestead credit for each taxing district in the county that allocates to the taxing district an amount of increased homestead credits that bears the same proportion to the amount determined under subdivision ~~(1)~~ (3) that the amount of inventory assessed value deducted under IC 6-1.1-12-42 in the taxing district for the immediately preceding year's assessment date bears to the total inventory assessed value deducted under IC 6-1.1-12-42 in the county for the immediately preceding year's assessment date.**

(i) The county auditor shall retain from the payments of the county's certified distribution an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county. The money shall be distributed to the civil taxing units and school corporations of the county:

(1) as if the money were from property tax collections; and

(2) in such a manner that no civil taxing unit or school corporation will suffer a net revenue loss because of the allowance of an increased homestead credit.

(j) If the imposing entity specifies the application of uniform farmstead credits under subsection (c)(3)(A), the county auditor shall, for each calendar year in which a farmstead credit is authorized under this section, determine each of the following:

(1) The amount of the certified distribution that is available to provide a farmstead credit for the year.

(2) The amount of increased property tax liability on farmsteads in the county for the year due to the deduction for inventory under IC 6-1.1-12-42.

(3) The amount of uniformly applied farmstead credits for the year in the county, which is the lesser of:

(A) the amount determined in subdivision (1); or

(B) the amount determined in subdivision (2).

(4) The farmstead credit percentage that generates the amount of farmstead credits determined under subdivision (3).

(k) The percentage of farmstead credit determined by the

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1 county auditor under subsection (j) applies uniformly in the county
2 in the calendar year for which the percentage is determined.

3 (l) If the imposing entity specifies the application of allocated
4 farmstead credits under subsection (c)(3)(B), the county auditor
5 shall, for each calendar year in which a farmstead credit is
6 authorized under this section, determine each of the following:

7 (1) The amount of the certified distribution that is available
8 to provide a farmstead credit for the year.

9 (2) The amount of increased property tax liability on
10 farmsteads in the county for the year due to the deduction for
11 inventory under IC 6-1.1-12-42.

12 (3) The amount of the allocated farmstead credits in the
13 county for the year, which is the lesser of:

14 (A) the amount determined in subdivision (1); or

15 (B) the amount determined in subdivision (2).

16 (4) A farmstead credit percentage for each taxing district in
17 the county that allocates to each taxing district an amount of
18 farmstead credits that bears the same proportion to the
19 amount determined under subdivision (3) that the amount of
20 inventory assessed value deducted under IC 6-1.1-12-42 in the
21 taxing district for the immediately preceding year's
22 assessment date bears to the total inventory assessed value
23 deducted under IC 6-1.1-12-42 in the county for the
24 immediately preceding year's assessment date.

25 (m) The county auditor shall retain from the payments of the
26 county's certified distribution an amount equal to the revenue lost,
27 if any, due to the increase of the farmstead credit within the
28 county. The money shall be distributed to the civil taxing units and
29 school corporations of the county:

30 (1) as if the money were from property tax collections; and

31 (2) in such a manner that no civil taxing unit or school
32 corporation will suffer a net revenue loss because of the
33 allowance of a farmstead credit.

34 SECTION 5. [EFFECTIVE UPON PASSAGE] (a) IC 6-1.1-45, as
35 added by this act, and IC 6-3.5-7-5 and IC 6-3.5-7-25, both as
36 amended by this act, apply to property taxes first due and payable
37 after December 31, 2005. IC 6-3.5-7-26, as amended by this act,
38 applies to property taxes first due and payable after December 31,
39 2006.

40 (b) Notwithstanding IC 6-3.5-7-25(c), as amended by this act, in
41 calendar year 2005, an ordinance under IC 6-3.5-7-25, as amended
42 by this act, must be adopted after January 1, 2005, and before

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1 **August 1, 2005.**
2 SECTION 6. **An emergency is declared for this act.**

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